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8 April 1971

MEMORANDUM FOR THE RECORD

SUBJECT: Proposed Legislation
(Ervin Bill and Retirement)

1. Today Robert Hull, Department of State, called on a number of legislation items of mutual interest. The conversation covered the following points:

The Ervin Bill

I told Hull that I had heard second hand that the Civil Service Commission will oppose the Ervin bill and that we have not changed our position that we need a complete exemption. Hull said that Secretary Rogers had been requested to testify before Chairman Hanley's Committee after Easter recess but that it is quite possible that Mr. Macomber would appear instead, especially if firm Administration opposition to the bill is not developed by that time. Hull said that they were still working to rectify the original position set forth in Secretary Rusk's letter on S.1035, that the bill did not pose any significant problems. Hull promised to keep in touch and will let us know the outcome of his conversations with OMB and CSC.

Retirement - Funding

Hull said that Ted Kroll had developed a new and different concept on retirement funding (Hull is sending us the technical papers). As I got it, the new concept emphasizes the impact of yearly Federal employee pay increases, and concludes that the input to the retirement fund (15% of the ever-increasing payroll and from Treasury and appropriations under the new retirement funding formula that applies to foreign service and civil service) will

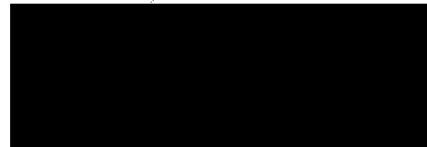
haul. This outcome rests on the assumption of a 4% payroll increase each year. Deflation or a static payroll would undermine it. Hull suggested the amount of surplus in the fund might be in the neighborhood of 17 to 1 (assets vs. yearly outgo).

Retirement - Benefits

Hull said he was preparing to submit a legislative package on the Foreign Service System which, among other things, would seek to establish minimum benefits for widows and children at social security levels. In response to his question, I told him I thought we would support narrowing the benefit gaps in this area, although the McDaniels-McGee bill had gone a long way toward closing the gaps between social security and Federal staff retirement coverage.

Cost-of-Living

I told Mr. Hull that for reasons of committee jurisdiction, we are not going to push our proposal for riding piggyback on the Civil Service cost-of-living amendment.



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Assistant Legislative Counsel

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